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## USING INTERNAL AUDIT IN DESIGNING SELF-GOVERNMENT DEVELOPMENT POLICY

### Abstract

The current law, which regulates the functioning of local government designate their powers and tasks that aim to achieve the objectives. Such activities tend to be heavily supported institution of management control. In addition, the modern tool for the management of the local government in the effective management of all processes in the body – is the internal audit unit. Definition, based on article 272 (act on public finance) internal audit is an independent and objective activity, the aim of which is to support the Minister in charge of the department or manager in the implementation of goals and objectives through a systematic evaluation of management control and advisory activities. The article brought closer the possibility of creating the regional government's development policy, which is and can be to support the internal audit activity.

**Key words:** management, public management, local government, public administration, internal audit

### Introduction

Self-government is a form of organization of a separate social group, which can thus granted legal status and existence of the relevant bodies and institutions within the law to decide for themselves on important matters, acting either through their representatives or directly carrying out the task. Local government bodies occupy a special place in the system of public administration [Izdebski, 2008: 34–64]. Self-government is a body of persons who are accorded the right to carry out part of the tasks of the public administration, and the effects of these tasks directly affect them. So you may want to look at the essence of self-governments, based on the quality of identified priorities that tries to fully achieve this goal using instruments held legal, financial and organizational arrangements for the implementation of regional policy.

The concept of local self-government can be explained as a system of local authorities as part of a public camera system. In this sense, it is a collection of interdependent elements, and any ongoing interrelationship between them. Local

government includes all persons residing within a particular territorial unit. This form of community organization established to govern and manage the affairs of a public nature, which carries out tasks for and in the interest of its people. Works on all law-abiding democratic systems. The reform of the administrative division of the country, which entered into force on 1<sup>st</sup> January 1999 – introduced changes in the nature, function and scope of the powers of local government. These activities provide residents greater influence on local decision-making, by representing the interests of the representatives elected in the local elections. Herds indicated territorial administration reform has become a prelude to the implementation of the principle of decentralization – based, *inter alia*, the transfer of competence, decisiveness, financing, the power and responsibility from the central government for a separate local government level.

## The essence of the self-government

The aim of the creators of the existing Polish government was in the hands of a real commitment to the local communities for their tasks. Therefore assumed that the relationship state polish and local governments will be based on the principle of subsidiarity, its roots dating back to the social doctrine of the Catholic Church. It says that all decisions must be taken as closely as possible to citizens, and therefore more in municipalities, regions or provinces, etc. than in the center of the government's administrative management. However, the population larger, more organized, should intervene in the matter only if their actions are much more effective than those of smaller communities that are not always able to fulfill the task of public [Piasecki, 2009: 54–74]. According to the principles of subsidiarity) there is a presumption of competence for local government bodies primary (community). Municipality performs all the tasks of local government of local importance, not reserved by statute for its other units. This, so important to the functioning of the local government rule, include article 163 of the Polish Constitution of 2<sup>nd</sup> April 1997: “Local government shall perform public tasks not reserved by the Constitution or statutes to the organs of other public authorities” (Constitution of the Polish Republic).

Province are the largest units of local government, not violating the independence of counties and municipalities. Polish territory is now divided into 16 provinces. Local government at the voivodship in Poland is a new institution, established as a commune and district laws competency. This act of the executive – an implementation that gives the largest independent local government is the law of provincial self-government that functions after several revisions since 1<sup>st</sup> January 1999 (the law on local self-government). The scope of the regional government to perform public duties of a provincial laws are not reserved for government bodies. Other regulations covering government activities in the region governed by the amended law, characterized by, *inter alia*, legal and political position of the

Governor, government administration complex and detached (act governor and government in the region).

## Model of the Local Government

Regional Government (the law on local self-government) in its statutory matter, performs a series of tasks that directly or indirectly influence the development of policies, both local and regional. These tasks are usually financed from the budget of the province, which also receives support for the implementation of tasks assigned – by the central government – in the form of grants or subsidies from the state budget. In addition, regional governments carry out tasks, using funds from the European Union funds.

Self-government carries out public tasks defined laws on its own behalf and on their own responsibility. Decides on the size of the budget, and he incurs the obligations of financial planning. In addition, the property has a regional and runs independently on the basis of financial management of the budget, which in its own sphere, the economy is a public, transparent and accountable. Regional Government, on the basis of the relevant statutory authorization, is also an act of local law. Acts of local law applicable in the jurisdiction specific region. It is a law that directs its impact on people living in state data. Adopted by the Regional Assembly resolution before the entry into force, are first tested for legality by the Governor.

Self-government determines the strategy development of the region, taking into account in particular the number of objectives. These are mainly Polish culture and nurture the development and shaping of national consciousness, civic and cultural population, as well as nurture and develop local identity, stimulating economic activity and improving the competitiveness and innovativeness of the economy of the region [Bukowski, Jędrzejowski, 2003: 76–91]. Self-government, in formulating the regional development strategy and implementation of regional development policy, in particular the work of local self-government units in the area of the region and with local business and professional, government administration, especially with the Governor, in other provinces, non-governmental organizations as well as universities and scientific and research units.

Self-government also runs a very important activity in the arena of regional development policy. Through its legal and financial – is trying to influence the development of the region. Very useful instrument development becomes absorption of EU funds, which are increasingly used by all levels of local government. Regional governments have a real impact on the selection of specific projects, and thus determine the areas where using EU funds will be offered help. Most regional governments implement EU funds through a number of EU programs. These include the European Social Fund, the European Regional Development Fund, the Rural Development Programme, Operational Programme Innovative Economy Operational Programme Development of the Polish Eastern Europe.

With these financial measures, governments can directly influence the development of the region. In addition, local governments create conditions for economic development, including the labor market provincial create. A key role in shaping policies including the fight and prevention of unemployment, together with the promotion of employment policy – they now regional labor offices. They adopted the name of the provincial labor offices. There are currently 16, and are located in provincial cities. The tasks of the regional labor offices for the promotion of employment, alleviation of unemployment and to promote professional activation – are concentrated mostly in order to:

- full and productive employment (assistance in finding a job),
- development of human resources based on new competencies and skills,
- achieve a better quality of work,
- integration and strengthening of social solidarity,
- increase labor mobility (law on employment promotion and labor market institutions).

Therefore, the local governments have certain responsibilities and obligations arising under the adopted annually by the government – the National Action Plan for Employment. Regional Government under the National Action Plan, taking into account the region's development strategy and the strategy of the provincial social policy, prepares each year the Regional Action Plan for Employment, specifying the priority of the unemployed and other people in need of support. This is possible after consultation with the county and local government units of the social partners (the Act on employment promotion and labor market institutions). The most important labor market institutions that perform the tasks specified the law on employment promotion and labor market institutions are:

- 1) public employment services,
- 2) Voluntary Labour Corps,
- 3) employment agencies,
- 4) training institutions,
- 5) the institutions of social dialogue,
- 6) local partnership institutions.

Self-governments maintain and expand social and technical infrastructure of regional significance, raise and combine financial resources, public and private, in order to carry out the tasks in the field of public utilities. Support regional governments and conducting activities to raise the educational level of citizens and tend to the rational use of natural resources and environmental development in accordance with the principle of sustainable development. Additionally, they can support the development of science and cooperation between science and the economy, promoting the development of culture and take care of the cultural heritage, and within the advertising – promoting the values and development potential of the region [Zieliński, 2004: 108–121].

Public sector entities, including local governments seek to achievement of the objectives set in the way. These goals are often very differently named and defined. They are most often expressed in the pursuit of measures comply with the law (a question of the principle of legality). In addition, these objectives are ensuring

that the financial policy of individuals, including regional policies are implemented in a fair and transparent manner. A useful tool for the Provincial Government to achieve these goals – it is smooth running and managed the internal audit system. The essence of the internal audit will be discussed in the next section.

All local governments pursue their own goals, supported by the characteristics of their region, emphasizing the responsibilities of their own tasks contained in the act (the law on local self-government). These goals are often defined differently, depending on the priorities adopted by individual provinces and specificity. It may be noted that the Marshal, acting on behalf of the Regional Board, seeking to maximize the value of your organization (the law on local self-government). At the same time it depends, as head of the unit at the highest possible level of safety of operations. The act set out in the provincial self-government tasks and objectives (tasks of a province), which implements the Regional Board, relating to the assessment criteria are most often used in the control of management (act on public finance).

Frequently at every level of operation territorial administration, including the Local Government divided into the following criteria:

- Organizational Efficiency – defined as the ability to adapt public administration to changing organizational conditions such as changing customer expectations, changing regulations, new rules for the financing of regional investment;
- Appropriateness – identify as the ability to make those activities that enable the achievement of goals;
- Economy – is primarily to maximize the achievement of the objectives at minimum cost. This is a special circumstance, especially at a time when local governments must now actually spend every penny the public, which is subject to special control;
- Reliability – consistency owned by local documentation with the facts. The most common form of implementation of this criterion is the preparation of reliable financial statements that reflect the actual financial condition of the unit, which is then the subject of evaluation by both the cell control and internal audit. The accuracy and reliability of financial statements is also assessed by an external audit or audit cell;
- Legality – understood as compliance specific action or decision with applicable law. In this matter, an important role is created acts of local law, usually prepared by the resolutions, which are examined by the Governor for the correctness of the preparation of the applicable law in a particular matter (act governor and government in the region, the law on local self-government).

## Internal audit supports the self-government regional policy

The role of internal audit in the local government of the province is effective and efficient management of the unit, by providing tools to help to carry it out and the appointment of persons responsible for it. If you detect any abnormalities enables

the rapid correction or deletion. By definition – internal audit is an independent and objective activity whose purpose is to support the minister in charge of the department or manager in the implementation of goals and objectives through a systematic evaluation of management control and advisory activities (act on public finance). This assessment applies to most relevance, effectiveness and efficiency of management control in the government department or unit of local government.

The local authorities, carry out the audit, internal auditors employed in the unit or not employed in the government service, known as “service providers”. The legislator pointed out that the local government units of the tasks assigned to the head of internal audit exercise, respectively, mayor, mayor, chairman of the board of the local government (act on public finance). Head of internal audit shall direct the head of the organization (Marshal). The internal auditor working in local government or so service – which is not employed in local government, but performing tasks on behalf of the audit – must be able to perform their tasks. The person on the basis of the relevant authorization signed by the head of the unit – has the right to enter any premises in which the audit is carried out, has the opportunity to inspect any documents, information and data, and other materials related to the operation of the unit, including recorded on electronic data carriers. The internal auditor also has the possibility of making copies of copies, excerpts, summaries, or print, without prejudice to the confidentiality protected by law (law on the protection of classified information). The employees of the unit in which the audit is conducted – are required to provide all the information and explanations, as well as make and confirm copies, copies, extracts or statement [Czerwiński, Grocholski, 2003: 113–145].

Internal audit is carried out in the self-government of the province on the basis of the annual internal audit plan, ‘the audit plan’. Annual audit plan is prepared on the basis of risk analysis made. Risk analysis identifies those areas of the individual in a given year, the probability of occurrence, and thus the negative effects of their implementation can be greatest. In appropriate cases, an internal audit unit can be performed outside of the audit plan. This occurs in situations where such a task – because of important reasons – the head of the demands that it deems appropriate to carry out the audit. By the end of the financial year internal audit manager, in consultation with the head of the unit, prepare a risk assessment – an audit plan for the next year (act on public finance). Head of internal audit, conducting risk analysis, taking into account in particular the tasks arising from the business plan, as well as guidelines minister directing a branch, the audit committee and the detailed guidance of the Minister of Finance. By the end of January each year, the head of internal audit shall report on the implementation of the audit plan for the previous year (act on public finance).

Accepted standards of internal audit in the public finance sector units (Message of the Minister of Finance on internal auditing standards for public sector entities) are set out in its content through the International Standards for the Professional Practice of Internal Auditing, developed by The Institute of Internal Auditors. Pursuant to the provisions of these standards, “an internal audit of its

activities should support the head of the unit, to facilitate his management of the unit and eliminate hazards and failures throughout the organization.” Audit procedures adequately prepared for the self-government plays an important role in the proper evaluation of all the processes that are being implemented. Marshals, in which audit activities are carried out, are increasingly aware that strategic processes in the unit must be continuously monitoring and evaluation and management control by the internal audit unit. The most common form of formalization of such activities in local governments – have become accepted by the regulatory authorities and control – adequate internal audit procedures. They support the managers of the efficient and effective implementation of goals and objectives, implementing regional policy. The main responsibilities of the Marshal of the implementation of regional policy, resulting from the introduction of management control. In accordance with the provisions of article 68, paragraph 1 (act on public finance) – management control of all activities undertaken to ensure that the objectives and tasks of the local government in accordance with the law, efficient, cost-effective and timely manner. Legality principle in this case plays a key role. Self-government activities should be implemented in an efficient (effective), creative (to protect the financial resources of local governments) and timely (for example, to meet its financial obligations).

The role of internal audit in the local government of the Province’s independent monitoring, verification and evaluation of the effectiveness of risk management, control and governance. As a result, internal audit supports the management control system through independent look at the function, the adequacy and effectiveness of controls, the assessment of the existence and operation of the internal control system. Here you can see the close correlation between the two phenomena. Internal audit on the one hand can verify the compliance of the approval of the expenditure of the internal regulations of all local governments, on the other hand to recommend changes to the limits on the different levels of acceptance. However, we must remember that the final decision is always taken by the head unit, which by law is responsible for reporting to the organization (act on public finance).

Self-government employed the internal auditors or audit tasks directly in the unit, so-called ‘provider’ – as the expert on issues related to the process of risk management, use of lessons learned to effectively exercise management control. The risk management system of self-government of the Province is one of the most important tools used by the Marshal to obtain up to date information on the state of management control. Such knowledge is especially important in cases where the head of the unit takes strategic decisions related to development policy for your organization. Thanks to previously received information on the state of management control – Marshall can adequately and timely respond to corrective actions and repair in relation to the identified risks. Some public sector entities also employ agents who specialize in risk management procedure. Such persons may also take over the management control of the coordinator duties. Its task is then to a large extent to provide the head of the proper functioning of the organization made possible by the risks identified in good time and the ability to

respond to such risks. Such people tend to be extremely effective in their actions, being able to quickly give information to their superiors, who respond to the threat by introducing corrective action. The aforementioned management control system supports internal audit management and in particular the elimination of the main risks that arise in situations of their own tasks and the tasks assigned (the law on local self-government), focused on the implementation of local and regional policy.

Marshal, as head of the unit, is obliged to organize their work units, respectively, to adopt a subordinate unit of the management and employ workers with the right skills, in applying for competitive recruitment (law on local government employees). Marshal of implementing development policies, based on the use of all available resources should promote ethical and moral behavior among employees and management. His role is largely to aim to take care of the appropriate level of management control environment led their units. Marshal, using information from the internal audit unit of the potential hazards and risks – should be able to consider, which may hinder the attainment of the goals of the unit and what it will be important for the entire organization. This means that should identify risk control, the probability of occurrence and importance that it can be to achieve the objectives of the [Hausner, 2008: 34–65]. According to the risk assessment should take appropriate remedial action in the form of risk mitigation controls the default unit assigned tasks in the field of regional policy.

## Self-government as a facilitator of regional policy

Local government as a separate organizational unit of local government carries out public tasks, whose presence in the structure of the state emphasizes the unity of the state. Region is a unit of territorial division and at the same time is part of the government system. Residents of the region formed under the law of regional self-governing community. Local government shall perform the tasks of a regional in scope: technical infrastructure, social infrastructure, public safety and spatial and ecological. Local government shall perform public tasks on their own behalf and on their own responsibility, the province and the property has its own financial results. Regional self-government community sentence does through the Local Government bodies in the popular vote (Regional Board and the Regional Assembly).

An important area of operation is the Local government provincial referendum. Through referendums provincial decisions are made in every important matter in the range of activities the region (the initiative of the legislative body – the Regional Assembly). Provincial referendum must be held if a request for the conduct occurs 10% of the region's population entitled to vote and is important if it was attended by 30% of those eligible to vote (the law on local self-government). In the appeal before the Provincial Assembly shall be settled exclusively term by the provincial referendum.



The essence of self-government implemented in the Region have already mentioned the management control system and internal audit is not a new concept and is currently functioning system of management control, as adopted by law form (act on public finance) – is present in all the institutions, taking different names. Basically the management control system of the Provincial Government, to support implementation of the statutory duties, which are part of regional policy – is the most common set of all actions and measures in support of the interests of the individual. This system consists of the following described most of whose presence in the organization has become a part of the natural and necessary.

These areas include, among others:

- adopted by the management of the internal orders, instructions and procedures,
- authorization, delegation powers, formal replacement for absent employees, etc.,
- formalized and properly stored ranges of activities of workers, their primary roles and responsibilities,
- formal limitation of the powers, notably the situation make strategic decisions for the individual,
- hierarchical organizational structure of the unit, the adoption of the Rules of the proper functioning of the unit,
- transaction authorization procedures [Jędrzejewski, Nowicki, 1995: 32–56].

Using these and many other items which are not of that makes what is happening in each unit in the direction of development policy provinces, should be part of ongoing supervision by the eligible parties. Such activities should be formalized in the organization and conduct orderly procedure, indicating the duties and responsibilities of the directory.

These mechanisms structured activity management procedures, internal audit evaluated – often called preventive mechanisms are often appropriate. Although it is commonly believed that prevention is the action of the highest efficiency, it is difficult to imagine a well-functioning system management unit, no solution to detect errors and to minimize their effects [Jagielski, 2006: 47–73]. Effective internal audit unit, supported designating the appropriate procedures specific duties and a system of self-government of the Province of behavior – can ensure that the tasks imposed on regional governments towards the implementation of local policies are adequately controlled and supervised. Correctly located in the organizational structure of local regions – internal audit – enables effective use of the procedures adopted and the ability to use them. Well designed and adopted procedures that define the most important processes prepare organizations for any legal changes, which often face local governments.

Without a well-functioning internal audit – statutory targets imposed on local governments (the law on local self-government) could not be carried out in a proper manner. The aim of this thesis is that it supports the management of internal audit units in a professional and competent. The internal audit unit should be employed individuals who have sufficient knowledge about the functioning of the regional government and the potential difficulties in the way of the tasks.

In practice, has adopted the principle that in the internal audit did not include people with the strategic direction of the organization. Why? With good reason, such practices are not applied. These are the patterns of behavior of commercial companies, which are a model for public sector entities. For companies that want to have a dedicated internal audit function, it should be designated with the senior management of the cast in the cell of the audit. You have to keep your distance and objectivity. It's hard to play at the same time managerial positions in the unit with one hand, and then evaluate it yourself then. However, such an assessment has already been made by a completely different perspective. Such practices also would not have legal justification for public institutions have been broken since the principle of impartiality, objectivity and independence of judgment posed functional.

Another important support for the internal audit is to provide management of the information that public purposes are carried out in a proper manner. It should also be noted that it does not always manage to properly accomplish all goals. However, the obstacles may be factors independent of the organization (a legal, managerial problems, loss of financial liquidity). In such circumstances, appropriate vigilance internal audit conducted by a risk analysis accurately extracting critical area, whose probability may be the biggest – is the most important support for the management of the entity. With the support of the substantive internal audit, management by local governments has the ability to respond appropriately to such threats, through the introduction of appropriate remedial action. Thus, the implementation of regional development policy, supported by appropriate internal audit activity adds value to the correct functioning of the organization.

## Conclusion

In view of the constantly new challenges faced by local governments, regional policy has become one of the most important elements of development policy, in addition to the coordinated intervention of sectoral policies, targeted territory. The most important task for the next several years will be to increase the competitiveness of the Polish economy by running the unused labor resources, absorption and the creation of innovation, stimulate the development of social capital and the provision of adequate technical and institutional conditions for increasing the level of investment. An important task, particularly in view of the upcoming new programming period of the European Union for 2014–2020 – will also support the production of changes in the structure of GDP and employment. Regional policy response to the challenges outlined as is the optimal use of the potential development of the regions. In 2020, after the next EU funding period – Polish regions have a better place to live by improving the level and quality of life. Designed to be the new framework for the socio-economic and institutional structures that will enhance development opportunities in all Polish regions, and will provide an implementation of the aspirations and capabilities of the people living in them

forming the local community. Of key importance are the urban centers here have treated as nodes of economic, social, scientific, cultural and institutional, and thus as capable centers affect the development of the entire region.

In pursuing these objectives, internal audit in local government units will be a very useful tool for the proper management of the unit by the person responsible for them. Knowledge provided to them, especially on the part of auditors – in a fast enough time – will enable the reaction to occur at the individual risks and dangers in the implementation of regional policy. With properly constructed provinces in local government internal audit procedures – managing one Marshals will be able to better and more effectively manage all processes in organization. These processes are mainly proper management of people, skilful management decisions, risk management, and change management.

In summary it can be stated that the role of internal audit in local government regions is definitely independent monitoring, verification and evaluation of the effectiveness of risk management, control and governance. As a result, internal audit supports the management control system through independent look at the function, the adequacy and effectiveness of controls. Internal audit on the one hand can cause the verification of compliance of all activities carried out in the approval of the expenditure of all the internal regulations of local governments, on the other hand can recommend changes that appear most frequently on the limits of acceptance for the different levels of the management unit. Such actions can and often support unit managers to control spending, making key government decisions, and make it possible to create the right framework for the proper management of all processes in the body that are specifically targeted for the implementation of regional policy development.

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